

ECONOMIC DEVELOPMENT ELEMENT

INTRODUCTION

Temecula's local economy contributes greatly to the overall quality of life experienced by the City's residents. A healthy local economy consists of a highly trained and educated workforce, diversified businesses, accessibility to major highways and freeways, available housing, financial assistance to businesses, and infrastructure ready to serve technologically advanced businesses. Temecula's accessible location along the I-15/I-215 freeway corridors, business-friendly outlook, and excellent quality of life make it one of the most attractive cities in Southern California for business location. Using these incentives, the City has a valuable opportunity to attract, retain, and expand the local business community. This will in turn ensure Temecula's fiscal and financial health, allowing for a high level of public services and programs. Economic development goals and policies set the tone and direction for the City's business community.

PURPOSE OF THE ECONOMIC DEVELOPMENT ELEMENT

The Economic Development Element provides policy to improve the economic viability of Temecula through provision of balanced employment and housing opportunities, attraction and retention of businesses, and promotion of fiscal strength and stability in the community.

SCOPE AND CONTENT OF THE ECONOMIC DEVELOPMENT ELEMENT

Preparation of an Economic Development Element is not required under State law, but the Government Code authorizes cities and counties to adopt additional elements as deemed relevant and necessary. State General Plan Guidelines include Economic Development as a suggested topic to promote fiscal stability and economic growth. If a jurisdiction prepares an optional Economic Development Element, that element must be consistent with the other General Plan elements. The Economic Development Element is most directly related to goals, policies, and implementation programs within Temecula's Land Use, Circulation, Housing, and Community Design Elements.



RELATED PLANS AND PROGRAMS

A number of other plans and programs directly relate to the goals of the Economic Development Element. These plans and programs are administered by private organizations, as well as public agencies.

ECONOMIC DEVELOPMENT CORPORATION OF SOUTHWEST RIVERSIDE COUNTY

The Economic Development Corporation (EDC) of Southwest Riverside County has a strategic partnership with the Southwest California Economic Alliance and the Chamber of Commerce, to facilitate business attraction, retention and expansion of enterprises in the region. These organizations' primary purpose is to provide much needed resources to businesses that are currently relocating or operating within Southwest Riverside County.

The EDC works to enhance the business climate in and around the communities of Lake Elsinore, Murrieta and Temecula by promoting economic growth and supporting a business environment to encourage job creation and business expansion. The EDC provides such resources as area demographics, facilities and site location assistance, assistance with utility providers, job training programs, and low-cost loan sources.

TEMECULA VALLEY CHAMBER OF COMMERCE

The Temecula Valley Chamber of Commerce (TVCC) focuses on improving and promoting business development opportunities for all Chamber members and Temecula businesses. The TVCC provides important information and assistance: 1) opportunities for funding and investment; 2) business support, including up-to-date information on legislation, labor laws, and business administration; 3) business advocacy; 4) networking; and 5) training and education.

In addition, the TVCC offers a business start-up kit to new and relocating businesses. The kit contains City guidelines for operating a business, tax information, City ordinances, and area information. The TVCC also has an active Civic and Developmental Committee which tracks business related legislation and local issues. Committee members attend the Planning Commission, Traffic Commission, Parks and Recreation Commission and City Council meetings and make recommendations to the board for taking positions on business related issues.



SOUTHWEST CALIFORNIA ECONOMIC ALLIANCE

The City of Temecula also partners with the Southwest California Economic Alliance to promote economic and job growth in the Temecula area. The Alliance includes the Cities of Murrieta, Lake Elsinore and the County of Riverside.

CITY OF TEMECULA FAST TRACK PROGRAM

Temecula promotes the business advantages of locating in the City with the Fast Track Program. The program provides a means of expediting a commercial project in an efficient and timely manner. Priority treatment is given to qualified applicants to accelerate land use approvals. The City also provides a mechanism for those projects that require expediting due to funding constraints, escrow timelines or internal business timelines.

OLD TOWN SPECIFIC PLAN

The Old Town area provides an important retail environment within a historic setting, and is a key component of Temecula's tourism industry. The Old Town Specific Plan was completed in part to provide economic development incentives and guidance. The Old Town Specific Plan implements the goals and policies of the General Plan within the Old Town Area. Goals, policies and programs relating to the Old Town Area are included in the Land Use, Community Design, and Economic Development Elements of the General Plan.

CULTURAL ARTS MASTER PLAN

The Cultural Arts Master Plan was prepared in 1998. The Plan examined the cultural and civic amenities that enhance the quality of life for local residents. Issues considered included the need to provide and support a wide range of art and cultural programs, to encourage the provision and enhancement of public spaces, and to promote the local historic legacy. These represent some of the intangible factors that help make Temecula a desirable place to live and work.



ECONOMIC DEVELOPMENT PLAN

Temecula has experienced tremendous growth in recent decades. The City has had great success in diversifying the manufacturing base, significantly expanding retailing opportunities, and broadening both residential and tourist opportunities. However, new growth pressures within the Planning Area have created new challenges and opportunities. The City's economic development efforts must focus on attracting and retaining businesses that:

- Complement Temecula's character and take advantage of the City's supply of quality housing and locational benefits.
- Stimulate jobs, economic growth, and fiscal stability.
- Serve local employment, shopping, and entertainment needs.
- Expand the selection of conveniently located goods and services.

CHALLENGES FACING THE CITY

The City's economic profile and the population and income characteristics suggest that the following economic development challenges face the City:

- The revitalization of older commercial districts.
- Transition to a professional office/financial district environment while maintaining the diversified manufacturing base.
- Improving circulation, particularly to the industrial areas and along the SR-79 corridor, as well as better regional, high speed transportation solutions.
- Preserving and building upon tourist opportunities, such as the wineries, Old Town Temecula, and the Pechanga Entertainment Center.

ACTIONS TO MEET CHALLENGES

Public and private efforts will be required to ensure the fiscal strength and stability of the City and to meet market demand. The goals and policies of this Element address these challenges. Additionally, the following programs are proposed:



TEMECULA REDEVELOPMENT AGENCY

PLANS IN ACTION

Temecula's Redevelopment Agency has prepared an implementation plan for the Redevelopment Project Area. This Redevelopment Plan is one of the tools the City uses to achieve economic development objectives.

The Temecula Redevelopment Agency was formed to provide a tool to eliminate blighting conditions and ensure that the City's economic base would grow and remain healthy through new public improvements, commercial development, and affordable housing. Prior to Temecula's incorporation in 1989, the County of Riverside established a Redevelopment Project Area in accordance with California Community Redevelopment Law to eliminate blight within designated areas. After incorporation, the City of Temecula assumed responsibility for administering the Project Area shown in Figure ED-1. The Project Area encompasses sections of the community with conditions that often impede the City's development: such as abandoned buildings, substandard housing, empty parcels, and vandalism.

COORDINATION WITH REGIONAL ECONOMIC DEVELOPMENT AGENCIES

PLANS IN ACTION

The City works with several organizations to obtain input from the business community regarding the best means for assisting local businesses and maintaining a healthy business environment.

The City coordinates with the Southwest California Economic Development Alliance, Temecula Valley Chamber of Commerce, and the Economic Development Corporation of Southwest Riverside County to address the needs of businesses in the community.

ECONOMIC DEVELOPMENT ACTION PLAN

The City has developed an Economic Development Action Plan that will be periodically updated to attract new businesses and retain existing businesses. Based on ongoing research performed by the City, the Economic Development Action Plan may address the following concerns:





- **Monitoring retail and meeting demand.** The City has over 3 million square feet of retail centers including regional centers such as The Plaza and The Commons. Both centers have large value-oriented retailers, such as Lowes, Office Depot, Circuit City and Costco.
- **Maintaining a strong retail position.** Taxable sales data from the California State Board of Equalization indicates that the City nearly doubled taxable retail sales in recent decades. Non-retail (business-to-business) taxable sales also increased



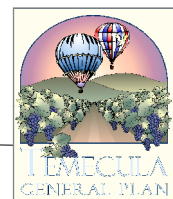
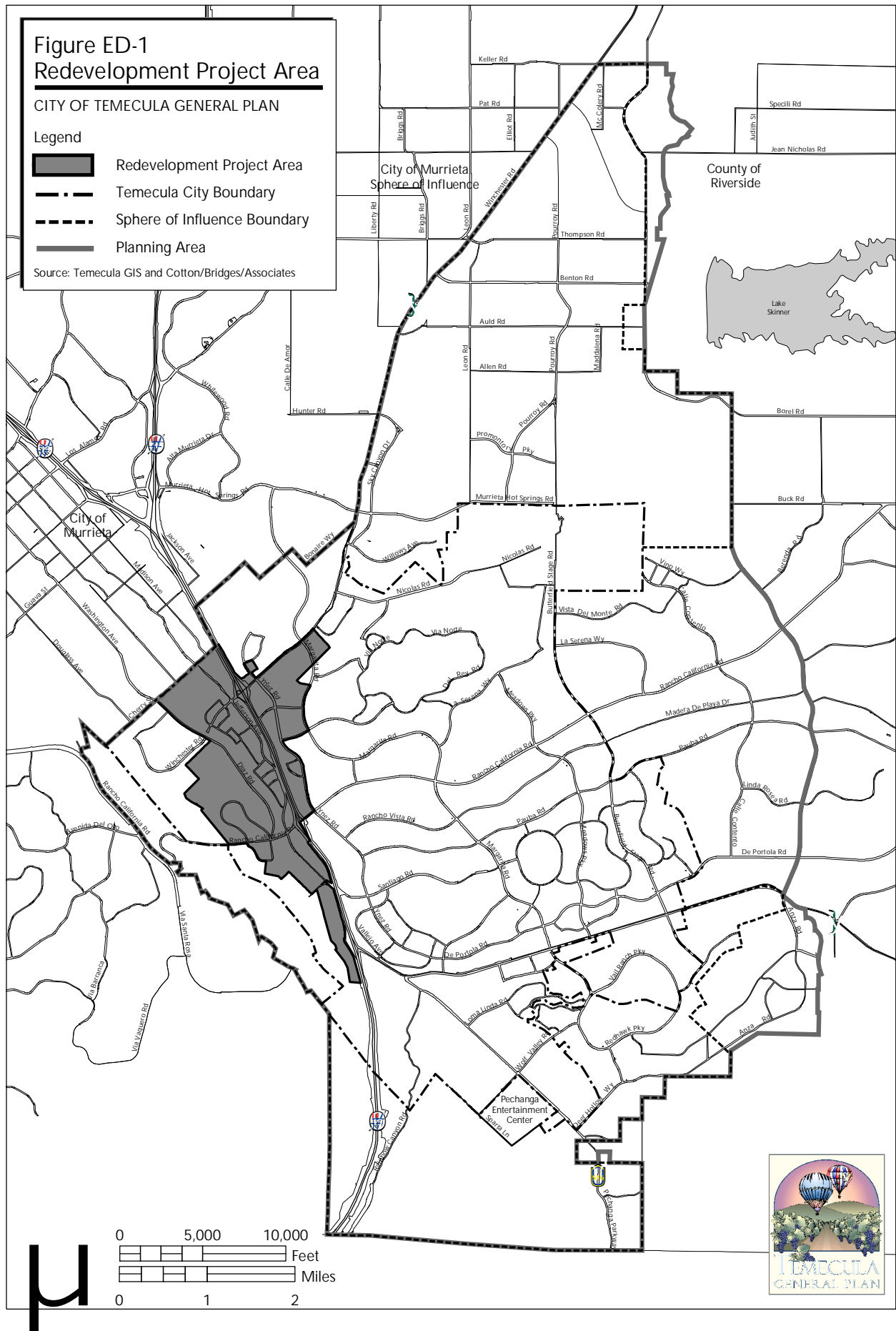
Figure ED-1
Redevelopment Project Area

CITY OF TEMECULA GENERAL PLAN

Legend

-  Redevelopment Project Area
-  Temecula City Boundary
-  Sphere of Influence Boundary
-  Planning Area

Source: Temecula GIS and Cotton/Bridges/Associates





PLANS IN ACTION

Temecula's Economic Development Action Plan is updated on an ongoing basis to respond to current market trends and the needs of businesses located in the City and those seeking to locate in the City. These priorities will be addressed in future updates of the Action Plan.

markedly, reflective of the industrial development trend.

- **Recycling older commercial retail strip centers** to mixed use with commercial, office and possibly mixed use residential development.
- **Working to retain, as well as encouraging the expansion of existing businesses** with higher skilled employment and wages.
- **Continuing to attract industrial and high-technology businesses** with higher skilled employment and wages.
- **Preserving the attractive appearance and design of the City's industrial centers**, such as the Ridge View Business Park.
- **Encouraging professional office development in key locations**, such as high traffic volume corridors along I-15 and the SR-79 South corridor.
- **Developing solutions to address circulation issues**, such as the SR-79 corridor, advocating high speed rail to facilitate better regional transportation solutions, and enhanced use of French Valley Airport.
- **Focusing on new components of the City's tourism industry** including interaction between the wineries, Old Town, and the Pechanga Entertainment Center.
- **Continuing investment in tourism venues**, such as Old Town Temecula, the Annual Temecula Valley Balloon and Wine Festival and the winery tours.
- **Developing lodging along the freeway**, such as the Extended Stay America at Overland, which interacts well with the professional office and tourism markets and enhances fiscal viability.
- **Focusing on the interface between French Valley and other adjacent growth areas.**
- **Preserving agriculture and wineries/tourist opportunities** amidst growth pressures.



- **Building better working relationships** with key players, including the City of Murrieta, the Pechanga Band, and the County of Riverside.
- **Enhancing existing cultural amenities** and encouraging the development of a hospital.
- **Developing improved telecommunications infra-structure** and enhanced telecommuting opportunities.
- **Maintaining an efficient product and material distribution system** and developing supporting infrastructure such as a brine line.

GOALS AND POLICIES

These goals and policies address six major issues: 1) promoting clean manufacturing businesses within the City, 2) diversifying Temecula's economic base, 3) maintaining the economic base, 4) establishing diverse education, job training, and placement systems, 5) promoting local business advantages, and 6) expanding the local tourism industry.

CLEAN MANUFACTURING

Temecula has maintained high standards for manufacturing activity which have enhanced attractiveness to both employers and residents. With additional land reserved for manufacturing activities, the City must continue to guide the location, design, and function of industry in a manner that benefits the community.

Goal 1	A strong base of clean manufacturing activities which employs a skilled labor force and can be successfully integrated into Temecula's community character.
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Policy 1.1	Attract and retain a diverse range of business and industry that complements Temecula's character, utilizes the local workforce, and takes advantage of Temecula's location.
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Policy 1.2	Encourage the growth and expansion of industry by providing high quality municipal services, facilities, and economic development assistance.
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DIVERSE
ECONOMIC BASE

- Policy 1.3 Encourage an environmentally-friendly business atmosphere that maintains local regulations favorable to clean industry and provides technical assistance to industries affected by new regional air quality regulations and other developing regional regulations.
- Policy 1.4 Encourage the establishment of federal and State agency offices, corporate headquarters facilities, and other white-collar employers in Temecula to expand local employment opportunities.
- Policy 1.5 Encourage the expansion and attractive appearance and design of professional office environments and industrial centers while maintaining the diversified manufacturing base.
- Policy 1.6 Develop and maintain strategic partnerships with the Chamber of Commerce, the Economic Development Corporation, and other organizations that encourage the establishment of high-paying jobs in the area.

Temecula's local economy has expanded rapidly in recent years, diversifying in both manufacturing and services. Areas where additional diversification is needed may include: prioritizing light manufacturing and high technology operations, expanding the financial sector, medical and health services, hotel/lodging, conference/meeting, recreation and other tourist-commercial goods and services.

Goal 2 A diverse economic base including a range of manufacturing, retail, service, and knowledge-based professional activities.

- Policy 2.1 Provide for industrial land uses which facilitate a variety of user types, including biomedical and high technology operations, manufacturing, business office, and research and development.
- Policy 2.2 Plan for land use and development patterns that allow succession of use, adapt to Temecula's economic conditions, and promote development of properly located and well designed commercial centers meeting the diverse service needs of the City.



MAINTAIN
ECONOMIC BASE

Policy 2.3 Use redevelopment powers and opportunities to enhance development, including the revitalization of older commercial areas through the development of mixed use projects.

Policy 2.4 Encourage professional office development in key locations, such as high traffic volume corridors along I-15 and the SR-79 South Corridor.

Policy 2.5 Promote retail and other support activities that provide a broader selection of high-quality goods and services for residents, workers and tourists, including apparel, general merchandise, home furnishings and appliances.

Prior to incorporation, the Temecula area experienced rapid growth under the jurisdiction of Riverside County. Following incorporation, Temecula can directly influence its fiscal stability through strategic land use and economic development planning programs.

Goal 3 A sound economic base providing a fiscal foundation for the City, quality community facilities, and high service levels.

Policy 3.1 Encourage a pattern of development that balances revenue generating land uses in phase with other uses that have negative fiscal impacts.

Policy 3.2 Encourage the growth or relocation of industries that generate local tax and employment advantages.

Policy 3.3 Evaluate fiscal impacts of new development on an ongoing basis and provide appropriate mitigation strategies.

Policy 3.4 Take advantage of Temecula's regional capture of taxable sales and continue to establish Temecula as a retail center.

Policy 3.5 Promote recycling and revitalization of older retail/commercial corridors within the City, including Jefferson Avenue, and potential increases in mixed use residential and commercial projects.



DIVERSE
EDUCATION,
TRAINING, AND
JOB PLACEMENT

Residents and employers have identified education as a key element in developing the long-range economic base in Temecula. By providing superior educational opportunities and resources, with an emphasis on practical educational programs for the job mix required to serve the community, many residents will prefer to work within the City. A full range of adult education, retraining, special education, vocational/technical education and college/university level facilities and curriculums should be provided, aimed at responding to the educational needs of the community through each phase of development.

Goal 4	A diverse education, job training, and placement system which will develop and maintain a high quality work force in Temecula.
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Policy 4.1	Support economic development goals through a range of education and training activities.
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Policy 4.2	Establish a proactive, continuing dialogue between the City and educational institutions, including school districts, community colleges and universities on the phasing of development, service standards, and the needs of the work force.
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Policy 4.3	Encourage development of a comprehensive higher education center in conjunction with interested private, community and state colleges or universities.
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LOCAL
BUSINESS
ADVANTAGES

Temecula has a number of favorable employment growth conditions, including demonstrated attractiveness to industry and ideal locational advantages for company headquarters. The City wishes to focus future efforts on continuing to attract high quality clean industry. However, with the current regulatory environment and rising land prices, the City may need to clearly define incentives for businesses to locate in Temecula instead of other communities.

Goal 5	Promote the advantages to businesses of locating in Temecula, including cost advantages, amenities, housing, community activities, cultural amenities, and civic services.
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Policy 5.1	Continue to develop and maintain the marketing program to publicize the advantages of relocating to Temecula.
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E C O N O M I C D E V E L O P M E N T

- Policy 5.2 Monitor economic conditions in Temecula in comparison to other locations in California and throughout the nation to determine relative advantages.
- Policy 5.3 Monitor and maintain the supply of diverse housing types and price ranges in relation to the supply of jobs to balance area-wide jobs, households, worker earnings and housing expenses throughout the City.
- Policy 5.4 Monitor existing businesses and support small businesses and the business retention program to encourage local employment and growth of local businesses.
- Policy 5.5 Continue to attract industrial and high-technology businesses that require higher skilled employment to take advantage of Temecula's skilled work force.
- Policy 5.6 Encourage the provision of cultural arts and amenities with the development of cultural facilities that enhance the City's image and the local quality of life.

LOCAL TOURISM

Over recent years, Temecula has become a tourist destination point with local wineries, Old Town Temecula, and Pechanga Entertainment Center leading the way. Tourism will play an effective role in the local economy by expanding beyond these attractions and with the continued provision of year-round activities capable of generating greater tourist interest. Community leaders have expressed the desire to expand Temecula's tourism industry in a manner that complements established residential areas as well as businesses.

Goal 6 A comprehensive, recognizable tourist destination, offering a range of attractions throughout and beyond the Planning Area.

- Policy 6.1 Encourage and enhance cooperative efforts with the wine-making industry and other tourism organizations in the Temecula Valley to promote Temecula as a destination resort.



- Policy 6.2 Support tourism venues, including commercial recreation, convention, resort, and wine-making activities, that spotlight the desirability of, and bring visitors to, the Temecula Valley.
- Policy 6.3 Continue to expand Old Town's role in local tourism and improve its attractiveness, accessibility, and economic vitality, as well as its interaction with other local attractions.
- Policy 6.4 Encourage development of lodging along the freeway which interacts well with the professional office and tourism markets and enhances fiscal viability.

IMPLEMENTATION PROGRAMS

The following actions implement the goals and policies identified in the Economic Development Element.

ED-1 REDEVELOPMENT

The City, through the Redevelopment Agency, will continue to implement the 5-year Implementation Plan, Agency-adopted goals, and Project Area Plans. The Redevelopment Agency will continue to use powers, as appropriate, to accommodate site needs of new businesses. Participate with the Planning Department in undertaking a study of the Jefferson Avenue Corridor, between Winchester and Rancho California Roads, to develop a plan to revitalize the area and comprehensively implement the mixed use concept.

Agency/Department: City Manager's Office, City Council,
Redevelopment Agency, Planning

Related Policies: All Policies

ED-2 COORDINATION WITH REGIONAL ECONOMIC DEVELOPMENT AGENCIES

The City will coordinate with the Temecula Valley Chamber of Commerce, the Economic Development Corporation of Southwest Riverside County, and other organizations to address the needs of businesses in the community. The City will work with these agencies to obtain input from the business community as to the best means for assisting local businesses and maintaining a healthy business environment.



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ED-3
ECONOMIC
DEVELOPMENT
ACTION PLAN

Agency/Department: City Manager's Office, City Council,
Planning
Related Policies: All policies

Use the Economic Development Action Plan to help attract new industry and retain existing businesses.

Agency/Department: City Manager's Office, City Council,
Planning, Public Works
Related Policies: All Policies



APPENDIX 2001 ECONOMIC PROFILE

This Appendix describes Temecula's overall economic profile in terms of standard economic indices: population growth, employment and salary trends, future employment growth, employment and wage growth trends, taxable retail sales, and non-retail sales.

POPULATION GROWTH TRENDS

As mentioned above, Temecula experienced tremendous population growth from 1990 to 2002, increasing from 27,099 to 72,715 people, or by 168.3 percent. During the same time period, the City's employment rose from 13,590 to 33,105 (up 19,515 jobs or 143.6 percent). Riverside County was California's fastest growing major County during this period, with population increasing by more than 30 percent. The City's focus is on developing a vision that will address the quality of life while maintaining control in areas where it has achieved economic strength, such as the industrial base and retail centers.

Growth has resulted in circulation issues, with high traffic volumes at major intersections and ramps along I-15. Although the Southern California Association of Governments (SCAG) expects the City to experience slower growth in the future, the unincorporated areas are expected to develop at a rapid pace. SCAG also indicates that the local employment will grow faster than population. According to SCAG, the City's population is projected to grow at an average annual rate of 0.7 percent from 2005 to 2020 while employment is projected to grow at an average annual rate of 2.9 percent.

Development in the County has also impacted the City at its boundaries and adjacent areas. Unplanned development of nearby areas such as Red Hawk and Vail Ranch, and in the French Valley continues to pose issues for the City. Growth pressure on the wineries at the City's edge is also a major concern. Coordination with the County will be critical to ensuring that growth patterns are compatible with the City's vision.



EMPLOYMENT AND WAGE GROWTH TRENDS

Temecula's emergence as a center of job growth is primarily the result of the migration of firms and people to the Inland Empire from the Southland's coastal counties. This migration is occurring as the density of land development in San Diego, Orange and Los Angeles counties has created a shortage of manufacturing and housing space, and increased space costs. Temecula is unique in that the major impetus for the growth is coming north out of San Diego County and secondarily from Orange or Los Angeles counties. Also, the jobs coming to the City are better paying than the Inland Empire average.

As shown in Table ED-1, employment in Temecula rose from about 13,570 jobs in 1991 to about 25,140 in 1999. This represents a total increase of almost 11,570 jobs or an 85.3 percent increase in total employment. Retail and Manufacturing showed the largest increase in jobs from 1991 to 1999, adding 2,551 and 2,449 positions, respectively.

TABLE ED-1
CITY OF TEMECULA EMPLOYMENT BY SECTOR: 1991 AND 1999

Employment Sector	Job Growth				Share of Total Jobs	
	Year		Numerical	Percent		
	1991	1999	Change	Change	1991	1999
Manufacturing	3,414	5,863	2,449	71.7%	25.2%	23.3%
Retail Trade	2,828	5,379	2,551	90.2%	20.8%	21.4%
Education	1,032	2,057	1,025	99.3%	7.6%	8.2%
Distribution-Transport	812	1,954	1,142	140.6%	6.0%	7.8%
Construction	1,489	1,769	280	18.8%	11.0%	7.0%
Hotel & Amusement	231	1,700	1,469	635.9%	1.7%	6.8%
Employment Agency	182	1,378	1,196	657.1%	1.3%	5.5%
Other Services	430	1,141	711	165.3%	3.2%	4.5%
Agriculture	1,054	1,050	-4	-0.4%	7.8%	4.2%
FIRE	544	777	233	42.8%	4.0%	3.1%
Business Services	379	759	380	100.3%	2.8%	3.0%
Health Services	358	731	373	104.2%	2.6%	2.9%
Engineer. & Mgmt.	780	414	-366	-46.9%	5.7%	1.6%
Government	37	168	131	354.1%	0.3%	0.7%
Total Employment	13,570	25,140	11,570	85.3%	100.0%	100.0%

Source: Stanley R. Hoffman Associates, Inc., Economics & Politics, Inc. July 2000.

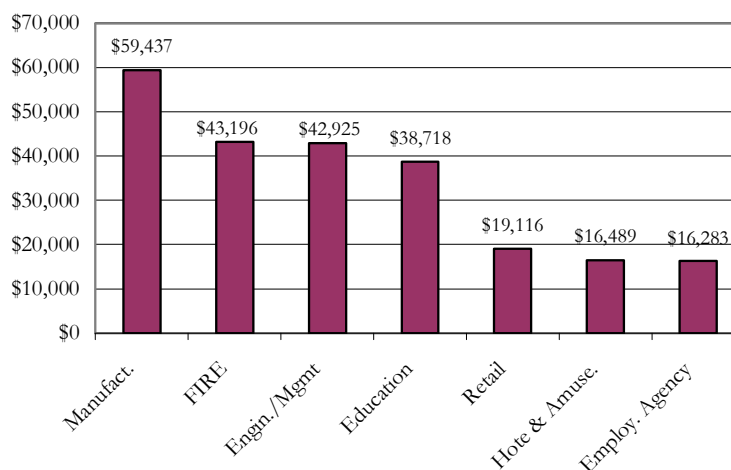


The large increase in Employment Agencies is due to the increasing reliability of firms on outside agencies to recruit, train and supply new workers. The Hotel and Amusement sector also grew dramatically, in large part due to the Pechanga Entertainment Center. Only the Agriculture and Engineering and Management sectors lost jobs, declining by 0.4 percent and 46.9 percent, respectively. While Manufacturing employment grew strongly and remained the largest sector in 1999, its share of total jobs declined from 25.2 percent to 23.3 percent from 1991 to 1999 as the economic base became more diversified. Retail employment increased its share of the total jobs in this period from 20.8 percent to 21.4 percent and has expanded further with the opening of the Promenade Mall.

Average pay per worker in Temecula increased from \$28,695 in 1991 to \$33,349 in 1999 in constant 2001 dollars. This represents an increase of 16.2 percent. As shown in Figure ED-2, the highest salary per worker in 1999 was in the Manufacturing and Utilities sectors. This is the result of the concentration of biotechnology, medical and computer chip firms in the City. The City's other relatively higher paying sectors were Finance, Insurance and Real Estate, Engineering and Management, and Education. Those averaging below \$20,000 included the Retail, Hotel & Amusement and the fast growing Employment Agencies sectors.

FIGURE ED-2
HIGHEST AND LOWEST AVERAGE SALARIES: 1999
(IN CONSTANT 2001 DOLLARS)

Sources: Stanley R. Hoffman Associates, Inc., Economics & Politics, Inc. July 2000.





TAXABLE RETAIL SALES

Based on a 1997/98 survey jointly conducted by the cities of Murrieta and Temecula, about 32.0 percent of the labor force was employed in the Services industry, 18.0 percent in Manufacturing, and 9.0 percent in Retail. Also, the City for the most part has a high-skilled labor force. The survey indicated that about 60.0 percent of the adult area labor force holds a professional, technical, or managerial position with an additional 20.0 percent in clerical and sales occupations. Office development in the City would be compatible with much of this type of labor force.

Based on survey commuting data, a large percentage of the area labor force is commuting to jobs outside of the area. The survey indicated that about 68.0 percent of the area's adult working residents commute away from the Temecula or Murrieta area to their work site, with an average one-way commute of 36 miles.

Retail trade increased in Temecula every year since the City's 1989 incorporation, even during Southern California's recession. As a result, the City's retail sales growth has exceeded that of Riverside County throughout the decade. Temecula has shown tremendous retail activity and taxable retail sales in the City have grown by 174 percent from 1991 to 2000 in year 2000 constant dollars. As shown in Table ED-2, total taxable retail sales in Temecula have increased in real dollars from 1991 to 2000 from about \$442.1 million to about \$1.20 billion. Taxable retail sales in the County increased by 57.2 percent during this time period. Additionally, one of the City's strengths is a growing base of manufacturing firms that generate non-retail taxable goods through taxable sales to other businesses and the public. The City has also been attracting new retail merchants as well as large General Merchandise stores. Increased residential development in the City will continue to provide support for retail growth.

As shown in Table ED-2, taxable sales in Temecula in all categories have increased dramatically, particularly in Home Furnishings, General Merchandise, and Auto Dealers. The largest portions of the City's retail sales tax were from Auto Dealers and General Merchandise stores, which comprised about 24 percent and 21 percent respectively, of the total taxable retail sales during 2000.



TABLE ED-2
TAXABLE SALES BY CATEGORY: 1991 AND 2000
CITY OF TEMECULA
(IN THOUSANDS OF CONSTANT 2000 DOLLARS)

Retail Group	1991	2000	1991 to 2000 Change	Percent Change
Apparel Stores	\$16,394	\$52,070	\$35,676	217.6%
General Merchandise Stores ¹	70,346	242,274	171,928	244.4%
Food Stores	36,102	50,850	14,748	40.9%
Eating and Drinking Places	47,577	120,134	72,557	152.5%
Home Furnishings	13,982	52,839	38,857	277.9%
Building Materials	33,847	84,163	50,316	148.7%
Auto Dealers and Supplies	84,017	272,394	188,377	224.2%
Service Stations	30,631	81,389	50,758	165.7%
Other Retail Stores	89,170	200,366	111,196	124.7%
Retail Subtotal	\$422,066	\$1,156,479	\$734,413	174.0%
All Other Outlets (Non-Retail) ²	96,384	254,572	158,188	164.1%
Total All Outlets	\$518,449	\$1,411,051	\$892,602	172.2%

COUNTY OF RIVERSIDE
(IN THOUSANDS OF CONSTANT 2000 DOLLARS)

Retail Group	1991	2000	1991 to 2000 Change	Percent Change
Apparel Stores	\$432,502	\$538,578	\$106,076	24.5%
General Merchandise Stores ¹	1,283,994	2,062,738	778,744	60.7%
Food Stores	906,415	889,894	-16,521	-1.8%
Eating and Drinking Places	993,747	1,364,808	371,061	37.3%
Home Furnishings	340,399	517,578	177,179	52.1%
Building Materials	645,272	1,210,838	565,566	87.6%
Auto Dealers and Supplies	1,355,583	2,615,997	1,260,414	93.0%
Service Stations	798,860	1,196,693	397,833	49.8%
Other Retail Stores	997,861	1,793,350	795,489	79.7%
Retail Subtotal	\$7,754,633	\$12,190,474	\$4,435,841	57.2%
All Other Outlets (Non-Retail) ²	2,428,208	3,937,231	1,509,023	62.1%
Total All Outlets	\$10,182,841	\$16,127,705	\$5,944,864	58.4%

1. Drug stores are included in General Merchandise.
2. Includes all transactions occurring outside retail establishments such as business-to-business, business/personal services taxable sales.

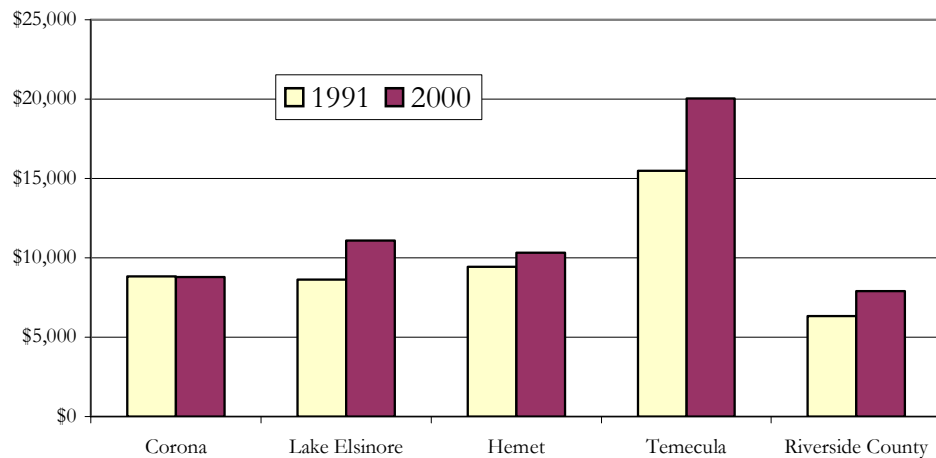
Sources: Stanley R. Hoffman Associates, Inc., State Board of Equalization



Per capita retail sales are a rough estimate of the change in retail sales, and are calculated by dividing the total retail sales by the City's total population. This is a good indicator of a community's ability to provide services to its population as the sales tax is the primary source of municipal finance in California. Figure ED-3 shows per capita taxable retail sales in 1991 and 2000 in constant 2000 dollars for the City of Temecula, selected nearby communities and the County. As shown, Temecula's per capita taxable retail sales has increased from \$15,481 to \$20,037 from 1991 to 2000. Per capita taxable retail sales in the cities of Lake Elsinore and Hemet also rose in real dollars by 28.9 percent and 9.3 percent, while the County's per capita taxable retail sales rose by 24.4 percent. Per capita taxable retail sales in Corona fell slightly, by 0.5 percent.

FIGURE ED-3
COMPARATIVE PER CAPITA TAXABLE RETAIL SALES: 1991 AND 2000
(in constant 2000 dollars)

Source: Stanley R. Hoffman Associates, Inc., State Board of Equalization.



NON-RETAIL REAL ESTATE MARKET

Another common indicator of a community's economic position is the value of commercial land used for non-retail uses, specifically industrial/manufacturing and office, within the City. This market provides employment beyond the retail and service industries, and also tends to be more stable across economic cycles.



INDUSTRIAL/MANUFACTURING MARKET

Temecula is part of the Inland Empire's industrial real estate market, which is among the strongest in the United States. The City's attractive setting, industrial marketing policies, and position on the I-15 freeway equidistant from San Diego and Orange Counties, has allowed it to draw upscale manufacturing firms that might otherwise have located in more intensely urbanized areas of the Inland Empire. The City's close proximity to I-15 provides access to key transportation facilities needed by industrial firms, as well as job opportunities for those living in Temecula and nearby communities. The City also offers companies access to logistics centers such as the Ontario International Airport and Burlington Northern Santa Fe's (BNSF) Intermodal Rail Yard in San Bernardino. Additionally, the area offers land and lease price advantages.

INVENTORY	Coldwell Banker estimates that in April 2000, Temecula had 7.8 million square feet of strictly manufacturing and distribution space, representing 3.3 percent of the Inland Empire's inventory. Temecula's inventory of industrial space increases to about 9.9 million square feet if multi-tenant sites are included. This represents an increase of about 58.4 percent from the 6.25 million square feet of industrial space in 1990.
VACANCY	From 1992 to 1999, the onset of firms into the Inland Empire reduced Temecula's industrial vacancy rate from 14.0 percent to 6.0 percent. In April 2000, Temecula's industrial space vacancy rate was estimated at 10.8 percent. This ranks it in the middle of the 18 Inland Empire sub-markets. By size, Temecula's highest vacancy rate was in 50,000 to 99,999 square feet category at 21.5 percent. In the 100,000 square feet and greater category, the rate was about 6.0 percent.
LEASE RATES	The Inland Empire's industrial properties enjoy an advantage in terms of space costs. Manufacturing and distribution firms find that the Inland Empire is the only place where large new facilities can be built. Grubb & Ellis estimates that Temecula's industrial space has an average lease rate of \$0.39 per square foot per month. This is lower than the rates in any of Southern California's coastal sub-markets. In San Diego County's Escondido and Vista markets, the average is \$0.55 per square foot. Within the Inland Empire, Temecula's \$0.39 rate is above the region's \$0.33 average. It is also slightly higher than the nearest comparable costs in Corona at \$0.37 and Fontana and Chino at \$0.35.



OFFICE MARKET

Recent data on the office market in Temecula is provided by CB Richard Ellis, which includes Temecula as part of the San Diego County Office Market. As shown in Table ED-3, as of 4th quarter 2001 the Temecula sub-market comprised about 1.13 million square feet, or about 2.7 percent of the San Diego Office Market's total 45.6 million square feet. The estimated vacancy rate of 2.7 percent for the Temecula sub-market was one of the lowest of all the sub-markets, and was less than the total market area's 9.7 percent. Similar to the industrial market, the office market in Temecula also has cost advantages. The average lease rate for Temecula office space was \$1.26 per square foot per month, compared to the market average of \$1.80 per square foot per month. These lower average lease rates could attract new office development in the City, providing reduced commute times for those working outside the area.

Trends indicate that the office market in Temecula will continue to remain strong. The Temecula office sub-market increased its share of the total San Diego market area from 1.8 percent at year-end 1999 to 2.5 percent of the total at year-end 2001. The vacancy rate in Temecula declined from 1999 to 2001, compared to the market area, which showed an increased vacancy rate during this time period.

TABLE ED-3
TEMECULA OFFICE MARKET: 1999 AND 2001

4th Quarter Ending	Building Square Feet	% of Market	Lease Rate Per sq.ft/month	Vacancy Rate
<i>Temecula Sub-Market</i>				
1999	732,509	1.8%	\$1.20	3.29%
2001	1,125,341	2.5%	\$1.26	2.70%
<i>San Diego Market</i>				
1999	41,000,000	100.0%	\$1.62	8.20%
2001	45,644,417	100.0%	\$1.80	9.70%

Source: Stanley R. Hoffman Associates, Inc., CB Richard Ellis.

The City should continue to attract businesses that generate non-retail taxable sales in order to diversify its sales tax base.